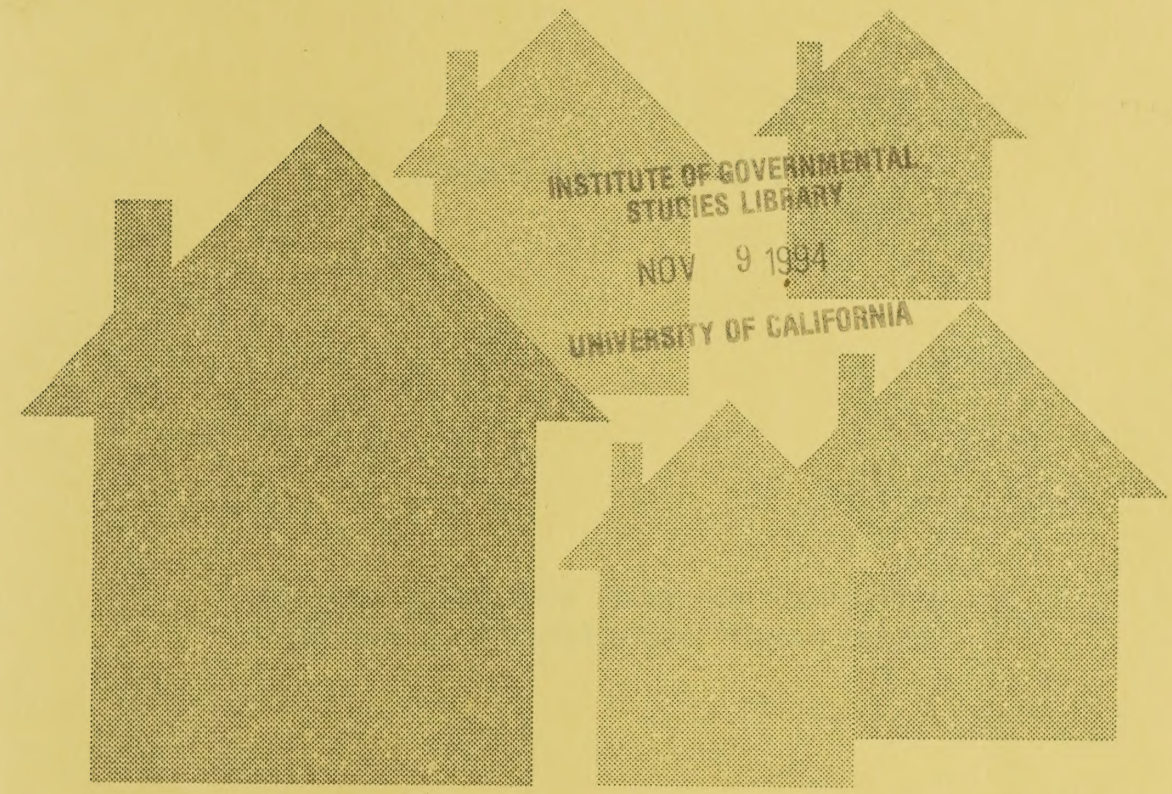
94 01029

CITY OF LAKEWOOD

HOUSING ELEMENT

ANALYSIS
PRESERVATION OF ASSISTED UNITS



INSTITUTE OF GOVERNMENTAL STUDIES LIBRARY
NOV 9 1994
UNIVERSITY OF CALIFORNIA

JANUARY 1994

Prepared by the City of Lakewood
Community Development Department

Digitized by the Internet Archive
in 2025 with funding from
State of California and California State Library

https://archive.org/details/C101745525

94 01029

CITY OF LAKEWOOD

HOUSING ELEMENT ANALYSIS
PRESERVATION OF ASSISTED UNITS

JANUARY 1994

Prepared by the City of Lakewood
Community Development Department

Contact Person: Ms. Michelle G. Mitchell
Housing Specialist
(310) 866-9771, Ext. 2320

TABLE OF CONTENTS

INTRODUCTION 1

INVENTORY OF UNITS AT RISK OF LOSING USE RESTRICTIONS 1

Period of Analysis 1

Types of Projects 1

RENTAL UNITS EXPECTED TO BE LOST FROM THE ASSISTED HOUSING INVENTORY 2

Conversion to Home Ownership 2

Prepayment or Voluntary Termination of a Federally Assisted Mortgage 3

Centralia Apartments 5

Candlewood Park 6

COST ANALYSIS OF PRESERVING VERSUS REPLACING AT-RISK UNITS . 8

Centralia Apartments 9

Candlewood Park 11

QUANTIFIED HOUSING UNIT OBJECTIVES 14

MONITOR AT RISK UNITS 15

RESOURCES FOR PRESERVATION OF UNITS AT RISK 15

PROGRAMS FOR PRESERVATION OF UNITS AT RISK 15

Parking Use Restrictions For the Elderly/Handicapped 16

Multi-Housing Revenue Bonds 16

Essential Purpose Housing Bonds (EPHB) 17

Community Development Block Grant (CDBG) Funds 17

Tax Increment/Set Aside Funds 18

SUMMARY 18

TABLES

TABLE 1 Identified Assisted Housing Units At Risk City of Lakewood 4

TABLE 2 Centralis Apartments Monthly Rents 9

TABLE 3 Housing Needs By Income Group 14

APPENDICES

APPENDIX A Entities Interested in Right of First Refusal Program

INTRODUCTION

In accordance with Section 65583 et seq. of the California Government Code, local governments are required to amend their General Plan Housing Elements to include an analysis and programs for preserving existing assisted low income multiple family housing units. The City must identify and analyze those units which are at risk of losing their low income status during the next ten years due to termination of subsidy contracts, mortgage prepayment, or expirations of use restrictions.

The City is also required to present quantified objectives in its housing element regarding the number of assisted units that can be conserved. Preserving the affordability of units at risk of losing their low income status counts toward conserving affordable rental residential units.

INVENTORY OF UNITS AT RISK OF LOSING USE RESTRICTIONS

Period of Analysis

The analysis is to cover a ten-year period. Originally, this ten-year analysis period coincided with the two five-year planning periods of the housing element. However, Governor Wilson recently signed Assembly Bill 2172 into law. This extended the planning period of existing housing elements by two years, postponing the due date for the next revision of the City of Lakewood's Housing Element. For the City of Lakewood, whose housing element was approved for the July 1, 1989 planning period, the ten-year analysis covers the period between July 1, 1989 and June 30, 1999. The two five year periods for the City of Lakewood were originally July 1, 1989 to June 30, 1994 and July 1, 1994 to June 30, 1999. Now the two five year periods for the City of Lakewood are July 1, 1989 to June 30, 1996 and July 1, 1996 to June 30, 2000. This change does not effect the ten-year period of this analysis.

Types of Projects

Section 65583 (a) (8) of the Government Code of the State of California contains the legislative definition of "Assisted housing developments"

> "Assisted housing developments" for the purpose of this section, shall mean multi-family rental housing that receives governmental assistance under federal programs listed in subdivision (a) of Section 65863.10, state and local multifamily revenue bond programs, local redevelopment programs, the federal Community Development Block Grant Program, or local in-lieu fees. "Assisted housing developments" shall also include multifamily rental units that were developed pursuant to local inclusionary housing program or used to qualify for a density bonus pursuant to Section 65916.

An inventory of assisted housing developments which are potentially at risk in the City of Lakewood is provided in the following section. They include projects eligible to change to non-low-income housing uses due to termination of a subsidy contract, mortgage prepayment, or expiring use restriction during the ten year period following the statutory adoption "Due-Date" of the Housing Element Amendment.

RENTAL UNITS EXPECTED TO BE LOST FROM THE ASSISTED HOUSING INVENTORY

Some ways in which assisted housing units could be lost from the assisted housing inventory include conversion of assisted rental units to home ownership and prepayment or voluntary termination of a federally assisted mortgage. This section analyzes these possibilities.

1. Conversion to Home Ownership

Rental housing that is assisted through Federal Section 8 assistance could be lost as a consequence of an owners decision to convert such units to sales units (or condominiums/townhomes). Conversion of multifamily residential rental units to sales units is discouraged in the City of Lakewood. Section 9332.2, et sequitur of the Lakewood Municipal Code prohibits such conversions unless the vacancy rate is at least 5%. Until recently, the vacancy rate for Lakewood has been less than 2.5% making such conversions virtually impossible.

However, the City's vacancy rate amongst rental units has increased as of the 1990 Census to 4.9%. While the vacancy rate is almost in the permissive range for conversions there are other development standards that would make conversions very difficult if not impossible.

For example, Section 9332.2 et sequitur requires that each condominium, planned development, community apartment or stock cooperative be provided a two car garage located adjacent to the entry to the unit or abutting the private open space to the unit. Most apartment developments cannot meet this criteria as carports and open parking spaces have often been provided and separate from the unit or its private open space. This same Section also requires separate laundry facilities for and within each unit. While conversion of rental units to sales units may be possible, current City regulations provide more than sufficient deterrents to such actions.

Thus, it can be safely said that Section 8 assisted rental units will not be lost as a result of such units being converted to sales units.

2. Prepayment or Voluntary Termination of a Federally Assisted Mortgage

According to the California Debt Advisory Commission's "1990 Annual Summary: Inventory of Low Income Rental Units Subject to Termination of Federal Mortgage and/or Rent Subsides By the year 2008", there are two properties in Lakewood which are at risk of losing their use restriction over the next ten years. Information pertaining to these two projects is presented in Table 1.

TABLE 1
IDENTIFIED ASSISTED HOUSING UNITS AT RISK
CITY OF LAKEWOOD

	CENTRALIA APARTMENTS	CANDLEWOOD PARK
ADDRESS	21114 Pioneer Blvd.	4051 Candlewood St.
OWNERSHIP	Centralia, Ltd. P.O. Box 2276 Los Angeles, 90028 310-930-2300	Levine Construction 9350 Wilshire Blvd. Beverly Hills 90212 213-274-8263
NO. AND TYPE OF UNITS	64 Family Units	81 Senior/Handicapped Units
BEDROOM MIX	40: 2 BR[1] 19: 3 BR 5: 4 BR	72: 1 BR 8: 1 BR/HC[2] 1: 1 BR/Mgr[3]
BUILDING AGE	Finaled 4/73: 19 years old	Finaled 10/79: 13 years old
FINAL EXEC./ ENDORSE. DATE	September 27, 1973	January 21, 1980
GOVERNMENTAL PROGRAM NAME	HUD Sect. 236 (J) (1)[4]	HUD Sect. 221 (D) (4)[5] and Section 8
EARLIEST POSSIBLE DATE OF CHANGE	September 27, 1993 (+20)[6]	November 14, 1999 (+5)

[1] BR = bedroom.

[2] HC = a unit designed for the handicapped.

[3] Managers Unit

[4] Section 236 (J) (1) is a FHA-insured and -subsidized mortgage program for low- and moderate-income housing projects. In return for keeping the rents for the project affordable for low income individuals, the property owner is guaranteed a subsidy that results in keeping the loan's interest rate at 1% for the life of the loan.

[5] This project is financed with market rate financing but has a Section 8 rental contract attached to the project. The earliest date for the project's Section 8 termination is January 1, 1995

[6] Number in parentheses represents the optional number of years the project may stay on the program after program termination date.

Centralia Apartments

Background: This project has received Section 236 (J) (1) federal assistance which grants a market rate mortgage a mortgage subsidy. The owner has the option to prepay the loan on September 27, 1993 or anytime thereafter. The Section 236 (J) (1) assistance was issued by the federal government on September 27, 1973. The original loan amount was $1,183,000 for a term of 40 years at a 7% interest rate. However, a 1% yearly interest rate (a subsidy savings of 6% annually) on the mortgage is in effect as long as the project's units are rented to lower income families. Lower income households include those whose incomes are 80% or less of the county's median family income ($43,000). Accordingly, HUD standards limit the rents these households must pay for assisted units to 30% of their monthly income.

The HUD Section 236 (J) (1) loan was issued to the "for profit" organization, Centralia LTD, for the construction of a 64-unit family project. According to HUD standards, family projects are required to serve households consisting of two or more family members related by blood, marriage, or law (e.g. adopted children). There are no other HUD or City-mandated use restrictions attached to this project's Section 236 (J) (1) loan, except for the City condominium conversion restrictions already mentioned above.

During May 1993, the City of Lakewood was informed by HUD that the Centralia Apartments filed a Notice of Intent. Consequently, Centralia Apartments has the option to extend the low-income affordability restriction for the remaining useful life of the project, or to transfer the project to an owner who will extend low-income affordability restrictions.

The Notice of Intent begins the process that will lead to negotiation of a new contract between HUD and the property owner of Centralia Apartments. Upon completion of negotiation, the property owner can still opt to transfer the project to an owner who will extend the low-income affordability restriction. HUD has informed the City that it takes approximately four (4) to six (6) months before a new contract is finaled and approved by both HUD and a property owner, in this case Centralia, LTD. According to the on-site management company, S and K Management, the property owner would prefer to maintain ownership of Centralia Apartments and extend the low-income affordability restriction for the remaining useful life of the project.

If the owners choose to retain ownership of Centralia Apartments, then the Section 236 (J) (1) loan will be extended for an additional 20 years. If Centralia LTD decides to opt out, then the project would be transferred to an owner who would extend the low-income affordability restrictions for an additional 20 years.

Risk of Conversion: It is unlikely Centralia LTD will prepay their 236 (J) (1) loan. According to Ms. Sharon Bowman, HUD Contract Specialist, the current mortgage interest rate for a multiple family HUD conversion loan ranges from 7% to 8% (not including loan set-up fees) for loans of up to $1,000,000. The interest rates are set by the market. These loans are currently issued for 10 and 15 year terms. If Centralia LTD chooses to utilize market rate financing, instead of continuing for another 20 years with their existing 1% 40-year HUD loan, their monthly mortgage payment would substantially increase.

Based on the project's current annual rental revenues ($372,096 to $423,600 annually - see Table 2) and HUD-instituted limits on the project's monthly rents, it is reasonable to expect these units could rent for 30% or more as market rate units. However, considering the excellent financing currently enjoyed by the property owner (1% annual mortgage rate) and the uncertainty of the current real estate market, it is unlikely Centralia LTD's current profit margin could be maintained or improved by converting the current 236 (J) (1) loan to a market rate loan. In addition, HUD staff has indicated that they intend to offer economic incentives (e.g. rental increases, reduced interest rates) to HUD 236 borrowers who propose to prepay their loans. Based on this information, it is unlikely that the HUD 236 loan for this project will be prepaid during this 5-year analysis period.

Candlewood Park

Background: Candlewood Park, a senior citizen apartment project, is financed with a market rate mortgage (Section 221 (d)(4)) which was issued by the federal government on September 1, 1978. The loan amount was $2,682,700 for a term of 40 years at an 8% interest rate. The loan was issued to the "for profit" organization, Levine Construction, for the construction of a wholly elderly housing (WAH) project. WAH projects are required to have at least one elderly tenant per unit who is at least 62 years of age or older. There are no use restrictions attached to this project's Section 221 (D) (4) loan. Prepayment of the loan will not affect the Section 8 or the City of Lakewood's use restrictions attached to the project.

The use restrictions for Candlewood Park are a result of a Section 8 new construction opt-out contract which was attached to the property when the market rate mortgage was issued on January 21, 1980. The Section 8 contract guarantees, for the term of the contract, that Candlewood Park's units are rented to lower income senior citizens. Candlewood Park's Section 8 contract is a typical Section 8 rent subsidy. The low income senior citizen pays 30% of his/her adjusted gross monthly income to the owner or manager of the project. HUD pays the difference between the rent paid by the tenant and the market rate rent. Market rate rents are determined and reviewed on a yearly basis by HUD.

According to the 1991 Update of the Inventory of Federally Subsidized Low-Income Rental Units at Risk of Conversion, prepared by the California Coalition for Rural Housing Projects, Candlewood Park's Section 8 contract is due to expire November 14, 1994. On November 23, 1993, the City contacted Ms. Elousie Riley, Loan Specialist for HUD, who indicated that the Section 8 contract had already been renewed and the new expiration date is November 14, 1999. Ms. Riley indicated that if the owner does not notified HUD 12 months prior to the Section 8 contract expiration date, then the contract is automatically renewed for a new 5-year term and subsequent 5-year terms thereafter. According to HUD records, no Notice of Intention (NOI) to opt-out on Candlewood Park's Section 8 contract had been filed by the owner, therefore the Section 8 contract was renewed.

The earliest time the owner of Candlewood Park can opt out of the Section 8 contract and file a Notice of Intent (NOI) with HUD is November 14, 1998 (12 months prior to the Section 8 contract's expiration). Of course numerous steps will be required to be completed before the opt-out can be exercised. During the process, HUD may offer the owner incentives to maintain the Section 8 contract. Such incentives could include offers to refinance his loan at a lower interest rate and/or the option to charge higher rents for the units. If the owner fails to complete a step outlined in the opt-out process, the Section 8 contract is automatically approved for another 5-year period.

However, if the owner successfully opts-out of the Section 8 contract for Candlewood Park, then 81 of the City's existing 281 low income senior rental housing units would no longer be in a federal program to guarantee reduced rents. This could result in a 29% decrease in the number of assisted City-wide senior citizen housing units. The only other remaining subsidized low income senior citizen's housing project is the 201-unit Heritage Park project. Heritage Park was built 3 years ago and is financed through 40-year Los Angeles County Housing Authority mortgage revenue bonds.

In addition to Candlewood Park's Section 8 use restrictions, the project was also approved with parking use restrictions which were attached to the property's deed. Pursuant to the provisions of Section 9490.T.3, Parking Requirements for Housing for Elderly or Handicapped, of the Lakewood Municipal Code, the City's Planning and Environment Commission approved Conditional Use Permit #198 (Resolution 19-77) for the subject Candlewood Park project with a significant reduction in the number of required off-street parking spaces. Because the 80-unit (plus 1 manager's apartment) project was to be occupied by seniors and handicapped persons, only 50 parking spaces were required. Under the City's existing parking requirements, a project of the same size for non-elderly persons would require 178 parking spaces. Consequently, the project was approved with a 128 parking-space deficiency.

As part of the project's approval, the City required the preparation of an alternative parking plan that demonstrated the project could provide the required 178 parking spaces, should it ever convert to a regular multiple family apartment use. In order to accommodate the required 178 parking places on site, a three-level parking structure was proposed. Should the project ever convert to a regular apartment project without an age limitation, the full 178 spaces would then be required. This could prove to be cost prohibitive. Furthermore, reducing the number of dwelling units to correspond with the City's parking ordinance would also be cost prohibitive.

Another factor that would contribute to converting the senior housing complex to non-senior housing complex would be the minimum unit size for elderly units verses non-elderly units. Pursuant to the provisions of Section 9332.1.C.3, Development Standards for Housing for Elderly or Handicapped, of the Lakewood Municipal Code, there are minimum unit sizes which are much smaller for senior housing units than for non-senior housing units. The minimum unit sizes for Elderly or Handicapped is:

1. One Bedroom Unit: Minimum size - 460 square feet and shall consist of a dwelling unit designed and intended for the occupancy of no more than two (2) persons.
2. Two Bedroom Unit: Minimum size - 650 square feet and shall consist of a swelling unit designed and intended for the occupancy of no more than three persons.

Under the City's existing development standards, a project of the same size for non-elderly persons would require a minimum size for a one bedroom unit to be 750 square feet and a two bedroom unit to be 900 square feet. Should the project ever convert to a regular apartment project without an age limitation, the required minimum size per non-senior unit as stated above would then be required. Again this could prove to be cost prohibitive. However, as long as the project continues as a Section 8 subsidized elderly project, the parking requirement and minimum unit size will not apply.

Risk of Conversion: It seems unlikely in the next year (when the NOI must be filed) that the owner of Candlewood Park will choose to opt-out of the Section 8 contract. Lakewood's real estate market has not experienced, nor is it expected to experience, a sudden or substantial increase in real estate values or market rents. Given the current and projected real estate conditions for the Lakewood area, the unit size standard, and the costs associated with complying with the City's agreement (Resolution 19-77), which requires any change of use on the site to meet current parking, it is very unlikely this Section 8 contract will be converted. In addition, according to Ms. Laurie Larson, Property Manager for The Levine Company, the owner intends to renew the Section 8 contract for Candlewood Park indefinitely.

COST ANALYSIS OF PRESERVING VERSUS REPLACING AT-RISK UNITS

This cost analysis consists of the following:

. The cost of producing new rental housing comparable in size and rents to replace the units which could convert;

. The cost of preserving both developments at risk of converting.

If the costs associated with preserving versus replacing at-risk units can not be estimated directly, then the costs will be described which are anticipated to be higher or lower than the replacement estimates, with explanation, as well as the differences in the estimates.

Cost Analysis - Centralia Apartments

In order to assess the advantage of replacing versus preserving Centralia Apartments a project-value must be determined. Centralia Apartment's value includes the land occupied by the project, on-site buildings, and potential revenues generated by rents received. The project's current owner, Centralia LTD, was not able to supply the City with an estimated project value. Consequently, the following sources of information were utilized to determine the project's value:

Project Revenues: Table 2 shows the base rents that have been set for Centralia Apartments, according to S and K Management (managers of Centralia Apartments). Based on this information, the monthly revenues from rents received range from $31,008 to $35,300 per month or $372,096 to $423,600 annually.

TABLE 2
MONTHLY RENTS
CENTRALIA APARTMENTS
APRIL 1990

	Number of Units	Base Rent (1)	Maximum Rent(2)
2-Bedroom Apartment	40	$456	$525
3-Bedroom Apartment	19	$522	$600
4-Bedroom Apartment	5	$570	$650
Maximum total monthly rents which can be collected for Centralia's 64 apartment units	64 units	$31,008	$35,300

(1) Depending on the household size, according to HUD standards, the base rent is 30% of a lower-income household's monthly income. For example, a 4-member lower-income household in Los Angeles County earns $34,800 per year or less. As of April 1991, the median household income in Los Angeles County was $42,000.

(2) According to HUD Contract Analyst, Los Angeles office, Les Amer, market rents for HUD 236 projects are determined at the time the project is appraised. The appraisal inventories market rents for the area and sets a yearly limit or maximum allowable rent. This rent is in addition to allowable yearly increases in the area's rental market. If 30% of a household's monthly income is more than the maximum rent on the project, then this household is "over qualified" and the unit will be rented to a lower income person.

Source: S and K Management, Manager, Centralia Apartments, April 1992.

Construction Costs/Building and Land Values: The project's land value and value of on-site building was determined from the following sources: HUD value estimates for replacement of elderly housing; County Assessor land and building valuations; and, current costs of land and construction for multiple family housing projects in Lakewood.

HUD Cost Estimates

According to HUD estimates (Ms. Sharon Bowman, HUD Contract Specialist), $60,000 per unit (including land) is the replacement cost figure used by HUD for multiple family (including elderly) housing projects. Accordingly, the cost to replace all of Centralia Apartments' 64 family units would be approximately $3,840,000.

County Assessor Valuation Data

According to the County Assessor's 1991 assessment of the 2.58-acre Centralia Apartment project and site, the land is valued at $138,643 and the on-site improvements (including a 59,821 square foot building) are valued at $867,950. It should be noted these figures do not reflect the property's current market rate due to Proposition 13, which became effective in 1978. Once the property is sold, it will be reassessed at the market rate of the day.

Construction Costs

According to the County of Los Angeles Department of Public Works, Building and Public Safety Division, the estimated construction costs for a wood frame 1-hour apartment building is $60.00 to $85.00 per square foot. Accordingly, the estimated replacement cost for a newly-constructed 59,821 square-foot building, similar to Centralia Apartments, would range from $3,589,260 to $5,084,785 or $56,082 to $79,450 per unit.

Lakewood's Current Land Costs

The "Bloomfield Avenue Site" MAI appraisal, used in the cost analysis prepared for Candlewood Park Apartments (which follows), is also used here to determine the land value for a 64-unit replacement construction family rental housing project.

A 1.91-acre portion of the Bloomfield site was appraised for $1,000,000. The appraisal set a $20,000 per unit land cost (based on 52 units or 27 units to the acre). Assuming a replacement project (for the 64-unit Centralia Apartments) was built at this density, then the total land costs (at $20,000 per unit) would be $1,280,000.

Market Value of Multiple Family Projects in Lakewood: According to an area real estate professional[7] who specializes in investment properties, multiple family units (in buildings of 12 units or more) in Lakewood's current real estate market are selling for $50,000 to $60,000 per unit. Due to a "slow down" in the real estate market and a stabilization (and in some cases a roll back) in the rents which can be charged, multiple-family investment properties have declined in value by 15% to 20%. While, on the other hand, construction costs have continued to rise.

Conclusion: The estimated cost to replace each Centralia Apartment unit ranges from $80,000 to $100,000 (approximately $60,000 to $80,000 per unit for construction costs and $20,000 per unit for land costs). Because nineteen of the project's units have three bedrooms and five of the project's units have four bedrooms, the actual construction costs could be higher. The estimated cost to replace the entire 64-unit Centralia Apartment project is estimated to be from $5,120,000 to $6,400,000. Other costs and variables to be considered are: locating a suitable MFR-zoned 2.58-acre parcel (which is difficult because Lakewood is 97% built out), permit fees, cost to prepare plans, and the cost of moving 64 family households and housing them on an interim basis.

Based on the above-discussed costs associated with the replacement of Centralia Apartment's 64 family units, it would be less expensive to acquire and preserve these units at $50,000 to $60,000 per unit, than to replace them at $80,000 to $100,000 per unit.

Potential costs involved in the preservation of these units include the loss of property tax to the City once these units are removed from the tax rolls and transferred from the private to the public sector. However, payment of in lieu taxes by the new owner (a housing authority or non-profit organization) directly to the City could result in a greater share of the old tax.

Cost Analysis - Candlewood Park Apartments

In order to accurately assess the advantage of replacing versus preserving Candlewood Park's 80 elderly housing units (one unit is a managers unit), a purchase price has to be determined. Unfortunately, the Levine Company does not have available information relating to a per unit cost at time of construction nor do they have a current market value for the project. Obviously, the cost of replacing the project directly correlates to the value of the land occupied by Candlewood Park, all on-site buildings, and revenues received from rents.

Project Revenues: According to Laurie Larson, the property manager for the Levine Company, Candlewood Park currently receives $45,000 to $48,000 per month or $540,000 to $576,000 annually in Section 8 contract subsidies.

---

[7] Mr. Max Stone, Real Estate Broker, Century 21 Landmark Realty, Lakewood.

Construction Costs/Building and Land Values: The value of the project's land and on-site building was determined from the following sources: HUD value estimates for replacement of elderly housing; County Assessor land and building valuations; and, current costs of land and construction for elderly housing projects in Lakewood.

HUD Cost Estimates

The basic replacement cost per unit would be the same as was given for the Centralia Apartments. That is, it would cost $60,000 per unit (including land) to replace multiple family (including elderly) housing projects. Accordingly, the cost to replace all of Candlewood Park's 81 elderly units would be approximately $4,860,000.

County Assessor Valuation Data

According to the County Assessor's 1991 assessment of the 1.96-acre Candlewood Park project and site, the land is valued at $444,674 ($226,874 per acre or $5,489.80 per unit) and the on-site improvements (which includes a 56,150 square foot building) are valued at $2,784,119 ($34,371.84 per unit) for a total value of $3,228,793 ($39,861.64 total per unit cost.)

The Heritage Park Apartments, a 201-unit lower income senior housing project located in Lakewood was completed in January 1990. Based upon County Assessor's information, the 4.79-acre project site is valued as follows:

Land:	$3,680,269 ($18,310 per unit)
Buildings:	$6,622,542 ($32,948 per unit)
Total Valuation:	$10,302,811 ($51,258 total per unit)

Construction Costs

As mentioned earlier in this section the County of Los Angeles Department of Public Works, Building and Safety Division estimates construction costs for a wood frame 1-hour apartment building to range from $60.00 to $85.00 per square foot. Accordingly, the estimated replacement cost for a newly-constructed 56,160 square foot building, similar to Candlewood Park, would range from $3,369,600 to $4,773,600 or $41,600 to $58,933 per unit.

Lakewood's Current Land Costs

The MAI appraisal prepared for the Lakewood Redevelopment Agency owned 1.91-acre parcel located on Bloomfield Avenue was previously discussed in the cost analysis for the Centralia Apartments. This appraisal determined the land's value for the future construction of a 52-unit (27 units to the acre) multiple family housing project on the Bloomfield site. The lands value was determined to be $1,000,000 rendering a per unit land cost of $20,000. However, the site is planned to be developed as a senior apartment project which will benefit lower income elderly and handicapped persons and families. The density for such a use would be greater than for a regular apartment project. Consequently, the per unit land cost would be lower for such a project.

If the Bloomfield site were to be developed as a lower income senior apartment project at the recently-completed Heritage Park senior project density of 41 units to the acre, it would yield at least 78 units. The resulting per unit land cost would be $12,821 per unit. This per unit land cost is 36% lower than the per unit land costs for an apartment project at the regular 27 units to the acre apartment density.

Market Value of Multiple Family Projects in Lakewood: As is the case with Centralia Apartments, multiple family units (in buildings of 12 units or more) in Lakewood are currently selling for $50,000 to $60,000 per unit. During the past five years, due to a "slow down" in the local real estate market and a stabilization (and some cases a roll back) in the rents which can be charged, multiple-family investment properties have declined in value by 15% to 20%. While, on the other hand, construction costs have continued to rise.

Conclusion: Using a range of $55,000 to $72,000 per unit cost (approximately $42,000 to $59,000 per unit for construction costs and $13,000 per unit for land costs), the estimated cost to replace the entire 81-unit Candlewood Park project would range from $4,455,000 to $5,832,000. Other costs and variables to be considered are: locating a suitable MFR-zoned 2-acre parcel (which is difficult because Lakewood is 97% built out); cost of permits, fees, and preparation of plans; and, the cost of moving 81+ senior citizens and housing them on an interim basis.

Based on the above-discussed costs associated with the replacement of Candlewood Park Apartment's 81 units, it would be less expensive to acquire and preserve these units at $50,000 to $60,000, than to replace them at $55,000 to $72,000 at an undetermined location in the City of Lakewood.

QUANTIFIED HOUSING UNIT OBJECTIVES

According to Section 65583 (b) of the California Government Code, local governments housing elements are required to establish quantified objectives for the maximum number of housing units which can be constructed, rehabilitated, and conserved over a five-year time frame. The objective for units to be conserved should include a subtotal for the number of at-risk units developed pursuant to Section 65583 (a)(8)(A) of the California Government Code.

The City of Lakewood's Housing Element (see noted Pages) has the following quantified housing program objectives for the 1989-1994 planning period:

TABLE 3
HOUSING NEEDS BY INCOME GROUP

Category	Very Low (a)	Low (b)	Moderate (c)	Upper (d)	Total Objective (in housing units)
New Construction (pg. 55) (e)	148	181	223	621	1,173
Rehab. (pg. 53)	98	77	130	195	500
Conservation (pg. 53)	393	1,179	1,631	2,047	5,250
Units at Risk	145	0	0	0	145

(a) Very Low Income means 0 to 50% of the County's Median Family Income.

(b) Low Income means 50 to 80% of the County's Median Family Income.

(c) Moderate Income means 80 to 120% of the County's Median Family Income.

(d) Upper Income means over 120% of the County's Median Family Income.

(e) Source: Southern California Association of Governments

As the above indicates, 145 units (the 64-unit Centralia Apartment project and the 81-unit Candlewood Park Apartment project) are identified as being at risk during the 1989-94 planning period. However, it is the City's stated objective to conserve these units.

MONITOR AT-RISK UNITS

Under the supervision of the Director of Community Development the Housing Specialist is responsible for overseeing units which are at risk of losing their low income status. The Housing Specialist will contact the property owner and HUD one year prior to the expiration of the contract to determine if the property owner has filed a Notice of Intent (NOI). If the property owner decides to opt out of the contract and file a NOI with HUD, numerous steps will be required to be completed before the opt-out can be exercised. However, if the owner successfully opts-out of the contract, the City will follow the plan as described below. The City will request from the property owner and HUD all information pertaining to the NOI. If the owners intent is to continue to extend low-income affordability restrictions for the remaining useful life of the project, the City will request a copy of the new contract from the owner and HUD. The City will also send a copy of all information received to HCD.

RESOURCES FOR PRESERVATION OF UNITS AT RISK

In accordance with Section 65583 (a) (8) (C) of the California Government Code, the City's housing element must identify public and private nonprofit entities who are qualified and interested in acquiring and managing assisted housing units.

There are numerous public, for-profit, and non-profit entities interested in owning and/or operating new and/or existing assisted- housing units in Los Angeles County. These organizations are listed in the Department of Housing and Community Development's publication entitled, "Entities Interested in Right of First Refusal Program" (see Appendix A). In particular, the County of Los Angeles Housing Authority and the Corporate Fund for Housing, a non-profit development corporation, secured Mortgage Revenue Bonds and built a 201 lower-income senior housing project (Heritage Park Apartments) in Lakewood during 1990. Both of these entities have a proven track record in Los Angeles County for the acquisition and development of low income housing projects.

The County of Los Angeles Housing Authority and the Corporate Fund for Housing are interested in managing existing and developing new affordable family and elderly housing projects in Lakewood. Funds needed for such projects will have to be obtained from federal, state, and local sources. Acquisition of affordable housing units can be accomplished through the issuance of tax-exempt Multi-Housing Revenue Bonds, pursuant to the provisions of Chapter 7, Part 5, of Division 31 of the California Health and Safety Code.

PROGRAMS FOR PRESERVATION OF UNITS AT RISK

According to Section 65583 (c) (6) of the California Government Code, the City's amended housing element must include, or reference programs in the Housing Element to preserve the low income use of at risk projects listed in the ten-year inventory, with specific focus on units at risk during the five year planning period.

Page 66 of the City's adopted Housing Element, for planning period 1989-94, contains two programs for the preservation of at-risk units: the Federal Low Income Housing Tax Credit and the California Low Income Housing Tax Credit. In addition, the following programs, specifically relating to the preservation of at-risk units, are hereby added to the City's Housing Element as possible options:

1. Parking Use Restrictions for Elderly and Handicapped Housing Projects

Section 9490.T.3, Parking Requirements for Housing for Elderly or Handicapped, of the Lakewood Municipal Code, allows for the modification and reduction in the number of required parking spaces for elderly and handicapped housing units projects with an approved conditional use permit (CUP). Housing projects which meet the City's required criteria may be approved with reduced parking up to a ratio of one parking space for every three units, plus one parking space for every three employees, and one guest parking space for every ten units.

As part of the project's approval (under Section 9490.T.3 of the Lakewood Municipal Code), the City requires the preparation of an alternative parking plan that demonstrates the project could provide the required parking spaces, should it ever convert to any other use, other than elderly housing. If this situation occurs, the required parking spaces (in accordance with Section 9490, et seq. of the Lakewood Municipal Code) for the new use will be required.

In addition, elderly and handicapped housing projects are required to provide adequate security in the form of surety bond, cash, or bank deposit with the City to guarantee the construction and maintenance of the alternate parking plan in the event the conditional use permit is revoked in whole or in part. In most cases, it is cost prohibitive to convert units, built with reduced parking requirements, back to market rate units.

It is the City's intent to continue using the above-described parking use restrictions for elderly and handicapped assisted housing projects. Because the majority of these projects receive assistance (through federal, state, or local funds) and primarily serve lower income households, parking use restrictions is a valuable tool in the preservation of these housing projects.

Funding Source: City General Fund
Responsible Agency: Community Development Department
Implementation: As Needed

2. Multi-Housing Revenue Bonds

Should a NOI be filed for the two identified assisted housing projects (Centralia Apartments and Candlewood Park Apartments) during this ten-year analysis period, Multi-Housing Revenue Bonds (pursuant to the provisions of Chapter 7, part 5, of division 31 of the California Health and Safety Code) could be used to purchase these projects. This is assuming the State of California can provide the needed funds for the bonds, the City Council approves the program, and the community approves the purchase of the project pursuant to Article 34 of the California Constitution.

Once the property is purchased by the City, title to the property could then be transferred to the County of Los Angeles Housing Authority or the Corporate Fund for Housing. In order to protect the units, conversion to any use other than assisted elderly or family housing, would cause the project's ownership to revert back to the City.

Funding Source: State of California Multi-Housing Revenue Bonds
Responsible Agency: Community Development Department
Implementation: As Needed

3. Essential Purpose Housing Bonds (EPHB)

This new financing technique has been successfully utilized in Riverside, California. Using EPHBs, the City of Riverside recently acquired 156 existing rental units and made them available to low and moderate income households.

EPHBs use two established means, revenue bonds and tax increment financing, to acquire or build public housing. In Riverside's case, available rental properties were appraised to determine if their proposed acquisition would be acceptable to investors. Based on the appraisal, an amount was determined for the "safety net" required to protect investors in the event occupancy rates fell below the level on which the financing was predicted. The City's redevelopment agency was then consulted to determine whether sufficient unencumbered funds were available to pledge the required safety net, on a yearly basis, for the life of the bonds. A resolution to issue the bonds was then passed by Riverside's redevelopment agency, the bonds were rated, and then sold through an approved broker. Once the city acquired the property, title was transferred to the Riverside Housing Authority, who now manages and operates a 156-unit low-and moderate income housing project.

Where feasible, the City of Lakewood will pursue the use of Essential Purpose Housing Bonds (EPHBs) for the acquisition or construction of assisted units, in order to preserve or replace those at-risk units proposed to be lost in the City. Acquisition will also require compliance with Article 34 of the California Constitution.

Funding Source: Mortgage Revenue Bonds an Lakewood Redevelopment Agency Tax Increment/Set Aside Funds
Responsible Agency: Lakewood Redevelopment Agency and Community Development Department
Implementation: As Needed

4. Community Development Block Grant (CDBG) Funds:

Historically, the City of Lakewood has utilized CDBG monies for the operation of its Housing Department and the funding of its various housing rehabilitation loan and preservation programs. However, when possible and depending on funding capabilities, this revenue source could potentially be used, in addition to other sources, for the preservation of at-risk housing units.

During fiscal year 1992-93, the City of Lakewood received $1,674,504 in HUD-issued CDBG funds. On an annual basis, these funds are used for City-wide code enforcement; the City of Lakewood Senior Citizen/Handicapped Deferred Payment Loan Program; Residential Deferred Payment Home Rehabilitation Loan Program; and the costs of operating the City's Housing Department, whose duties include administration and management of all City housing loans and fair housing programs. During the fiscal year 1992-93 $1,954,166 in CDBG funds were received.

Funding Source: Community Development Block Grant Funds
Responsible Agency: Community Development Department
Implementation: As needed

5. Tax Increment/Set Aside Funds:

A potential revenue source, for the preservation of at risk units, is from the City's Redevelopment Agency tax increment/set aside fund. The Redevelopment Agency must utilize at least 20% of its annual tax increment/set aside funds for the development of projects that assist low and moderate income housing.

During 1991, the Lakewood Redevelopment Agency used $1,400,000 in tax increment/set aside monies to purchase the 4.79-acre Bloomfield site for a future lower-income senior housing project. This has substantially depleted the Agency's set-aside funds. Consequently, no Redevelopment Agency funds were earmarked for projects to assist low and moderate income housing units during fiscal year 1992-93.

If the future need arises for revenues to assist in the preservation of at-risk units, the City of Lakewood's Redevelopment Agency's tax increment/set aside funds, when available, can serve this purpose.

Funding Source: Lakewood Redevelopment Agency
Responsible Agency: Lakewood Redevelopment Agency and The Community Development Department
Implementation: As needed

SUMMARY

Pursuant to Section 65583 of the California Government Code, a ten-year period must be determined for the purpose of analyzing the City's units at risk. This ten-year planning period was to coincide with the two five-year planning period of the housing element before Assembly Bill 2712 was signed into law. For Lakewood, whose housing element was approved for the June 30, 1989 planning period, the ten-year analysis covers the period between July 1, 1989 and June 30, 1999. The two new five year subperiods for Lakewood are July 1, 1989 to June 30, 1996 and July 1, 1996 to June 30, 2000.

According to the California Debt Advisory Commission's "1990 Annual Summary: Inventory for Low Income Rental Units Subject to Termination of Federal Mortgage and/or Rent Subsides By The Year 2008", the following two properties in Lakewood are at risk of losing their use restriction for the July 1, 1989 to June 30, 1999 ten-year planning period: Centralia (family) Apartments (64 units) and Candlewood Park (senior) Apartments (81 units).

Centralia Apartments is financed with a market rate mortgage (Section 236 (J) (1)), a 1% mortgage, which was issued by the federal government on September 27, 1973.

Considering the excellent financing currently enjoyed by Centralia Apartments property owner (1% annual mortgage rate) and the uncertainty of the current real estate market, it is unlikely Centralia LTD's current profit margin could be maintained or improved by converting the current 236 (J)(1) loan to a market rate loan. In addition, HUD staff has indicated that they intend to offer economic incentives (e.g. rental increases, reduced interest rates) to HUD 236 borrowers who propose to prepay their loans. Therefore, based on this information, it is unlikely this HUD 236 project will be lost during this ten-year analysis period.

The use restrictions for Candlewood Park Apartments are a result of a Section 8 new construction opt-out contract which was attached to the property when the market rate mortgage was issued on January 21, 1980. The property owner has the option to opt-out on his Section 8 contract on November 14, 1999.

It is unlikely in the next that the Levine Company (owner of Candlewood Park Apartments) will choose to opt-out of its Section 8 contract. Lakewood's real estate market has not experienced, nor is it expected to experience, a sudden or substantial increase in real estate values or market rents. Given the current and projected real estate conditions for the Lakewood area, and the costs associated with complying with the City's agreement (Resolution 19-77), which requires any change of use on the site to meet current parking standards, it is very unlikely this Section 8 contract will be converted. In addition, according to Ms. Laurie Larson, Property Manager for the Levine Company, they intend on renewing their Section 8 contract indefinitely.

Included in this amendment are numerous Housing Element programs which are intended as resources and options for the preservation of these identified at-risk units.

APPENDIX A

ENTITIES INTERESTED IN RIGHT OF FIRST REFUSAL

ENTITIES INTERESTED IN RIGHT OF FIRST REFUSAL PROGRAM
Source: Department of Housing & Community Development, Community Affairs Division

P = Public or Nonprofit
(All others are for profit)

ORGANIZATION	CONTACT NAME	ADDRESS	CITY	ST	ZIP	PHONE	P
(SOUTHERN CALIFORNIA)							
Inyo							
Ralph F. Carrico	Ralph F. Carrico	18107 Hwy. 173	Hesperia	Ca	92345	(619) 389-2413	N
Los Angeles							
Inglewood Housing Authority	Art Waller	P.O. Box 6500	Inglewood	Ca	90501	(213) 412-5221	Y
Korean Youth Center	B. H. Kim	3986 Ingraham Street	Los Angeles	Ca	90005	(213) 383-5218	Y
Skid Row Housing Trust	Candy Rupp	315 W. 9th St, Ste. 410	Los Angeles	Ca	90015	(213) 683-0522	Y
Pasadena Housing Alliance	David Foster	235 East Holly St, Ste C	Pasadena	Ca	91101	(818) 568-9422	Y
LB Hsg. Dev. Co., Community Dev. Dept.	Diane McNeel	333 W Ocean Blvd, 3rd Flr	Long Beach	CA	90802	(213) 590-6926	Y
Pomona Comm. Dev. Dpt., Hsng & Grant Div	Duane Solomon	P.O. Box 660	Pomona	Ca	91769	(714) 620-2368	Y
Foundation For Social Resources, Inc.	G Devorris	2044 Overland Avenue	Los Angeles	Ca	90025	(213) 475-2227	Y
Twelve Pack Enterprises	Galen Goben	P.O. Box 544	Pasadena	Ca	91102	(818) 440-0969	N
Community Corp. Of Santa Monica	Guy Devorris	1351 3rd St Prom, Ste 206	Santa Monica	Ca	90401	(213) 398-8487	Y
Concerned Citizens/S Central Los Angeles	Juanita Tate	P.O. Box 11337	Los Angeles	Ca	90011	(213) 231-9371	Y
HomeAid	Judith F. Lenthall	1330 S. Valley Vista Dr.	Diamond Bar	CA	91765	(714) 396-9993	N
Southern California Presbyterian Homes	Marc Herrera	1111 N. Brand Blvd Ste300	Glendale	Ca	91202	(818) 247-0420	Y
Inglewood Neighborhood Housing Services	Martina Guilfoil	733 E. Hyde Park Blvd.	Inglewood	Ca	90302	(213) 674-3756	Y
Community Development Commission	Milton Patterson	4800 Brooklyn Avenue	Los Angeles	Ca	90022	(213) 260-2081	Y
West Hollywood Community Housing Corp.	Paul Zimmerman	7906 Santa Monica Bl--203	West Hollywood	Ca	90046	(213) 650-8771	Y
Fame Housing Corporation	Peggy Hill	2249 S. Harvard Blvd.	Los Angeles	Ca	90018	(213) 737-0897	Y
Ralph F. Carrico	Ralph F. Carrico	18107 Hwy. 173	Hesperia	Ca	92345	(619) 389-2413	N
Legal Aid Foundation of Los Angeles	Robert Longoria	5228 Whittier Blvd.	Los Angeles	Ca	90022	(213) 266-6550	Y
Los Angeles Community Design Center	Robin Hughes	315 West 9th St, Ste 410	Los Angeles	Ca	90015	(213) 629-2702	Y
Curry Temple Community Development Corp.	William R. Johnson, Jr.	1001 N. Hickory Avenue	Compton	Ca	90220	(213) 632-8104	Y
Mono							
Ralph F. Carrico	Ralph F. Carrico	18107 Hwy. 173	Hesperia	Ca	92345	(619) 389-2413	N
La Casa Development	Regan P. Jones	286 Greenhouse Mktpl.#258	San Leandro	CA	94579	(209) 836-4884	N
Orange							
H.O.M.E.S., Inc.	Beverly Sommer	1905 E. 17th Street, #217	Santa Ana	Ca	92701	(714) 836-6543	Y
Twelve Pack Enterprises	Galen Goben	P.O. Box 544	Pasadena	Ca	91102	(818) 440-0969	N
HomeAid	Judith F. Lenthall	1330 S. Valley Vista Dr.	Diamond Bar	CA	91765	(714) 396-9993	N
Southern California Presbyterian Homes	Marc Herrera	1111 N. Brand Blvd Ste300	Glendale	Ca	91202	(818) 247-0420	Y
Golden State Mobilhome Owners League,Inc	Marguerite Ferrante	1579 Morena Blvd., #819	San Diego	CA	92110	(619) 276-1621	Y
Ralph F. Carrico	Ralph F. Carrico	18107 Hwy. 173	Hesperia	Ca	92345	(619) 389-2413	N
Flory, Olson & Van Osdel	Reed Flory	11711 Sterling Ave, Ste B	Riverside	Ca	92503	(714) 687-5484	N
Coun Of Orange Co Soc/St Vincent De Paul	Scott Mather	180 S. Cypress	Orange	Ca	92666	(714) 547-5566	Y
Zucker Systems	Sharon Welsh	3911 California Street	San Diego	CA	92110	(619) 497-2297	N
Riverside							
Foundation For Social Resources, Inc.	G Devorris	2044 Overland Avenue	Los Angeles	Ca	90025	(213) 475-2227	Y

U.C. BERKELEY LIBRARIES
C101745525